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S E C R E T SECTION 01 OF 03 KUWAIT 000976

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FOR NEA/ARP, NEA/I
EMBASSY BAGHDAD FOR GRAY AND WALL

E.O. 12958: DECL: 09/11/2018

TAGS: PREL EINV EAID MASS KW

SUBJECT: MFA U/S on Kuwait Air negotiations, PM visit, and concerns about arms sales and SOFA with Iraq (S)

Classified By: Ambassador Deborah K. Jones for reasons 1.4 (b) and (d).

Refs: A) Kuwait 947, B) Kuwait 936

¶11. (U) This is an action request. Please see paras 10 and 11.

¶12. (S/NF) Summary: Ambassador met with MFA U/S Khalid Al-Jarallah on September 11 to review the September 8 visit of the Iraqi Finance Minister to Kuwait and to preview the Kuwaiti PM's September 18-19 visit to the U.S.. Jarallah was broadly positive about the Iraqi Finance Minister's visit, noting that he thought an agreement in principle had been reached to settle Kuwait Airways claims with a USD 500 million payment, though he noted the Kuwaitis would insist on a bank guarantee. (Note: His version differs slightly from that of Kuwait Airways' Legal Advisor, who said that the negotiations had run into difficulties on Kuwait Airways insistence that the GOI provide a bank guarantee from an international, not an Iraqi, bank. End Note.) Jarallah told Ambassador that the GOI planned to send a Minister of Foreign Affairs-led team to Kuwait within a month to try and resolve a number of other outstanding issues, including the border. He added that he hoped that this visit would take place prior to the Prime Minister's visit to Iraq, for which he sought U.S. security assistance. Jarallah also expressed concern about the U.S.- Iraq Status of Forces Agreement and future U.S. arms sales to Iraq. Ambassador noted our ongoing interest in significantly improving counter terrorism cooperation. Jarallah said that the PM would likely ask about Iraq, Iran, the peace process, Kuwaiti detainees, visas, and the possibility of a free trade agreement. End Summary

Iraq

¶13. (S) Jarallah told Ambassador that Prime Minister Sheikh Nasser Al-Mohammed Al-Sabah would be very interested in the ongoing U.S. Iraq Status of Forces negotiations, as the results would affect Kuwaiti security. He pushed for more details on the terms of the agreement, saying that the Kuwaitis were frankly "confused" about its terms and conditions. Ambassador explained briefly that the negotiations were still ongoing, but that PM Maliki appeared to accept the need for some type of continuing U.S. military presence in the country following the expiration of Article 7. Jarallah also raised the proposed sale of U.S. military equipment to Iraq, noting that Kuwait's Ambassador to the U.S. had learned, from an administration source, that the U.S. planned to sell 30 F-16s to Iraq. Ambassador replied that she had briefed the Foreign Minister about the Iraq Security Force Transition plan, and that the process was designed to improve Iraq's counter-insurgency capability (ref b).

¶4. (S) With regard to the Prime Minister's planned visit to Iraq, Jarallah expressed serious concern about the security situation and asked specifically what the USG could do to provide security. He noted that the PM is likely to stay "only a few hours" which would include lunch or dinner with PM Maliki and would likely fly in on one of the GOK's Amiri fleet jets.

Iraq Airways Negotiations

¶5. (SBU) Ambassador asked Jarallah for his read-out on the September 8 visit of the Iraqi Finance Minister to Kuwait to discuss the debts owed to Kuwait Airways. Jarallah said that he thought the two sides had reached an acceptable agreement, in principle, for the Iraqis to pay USD 500 million out of the USD 1.3 billion in outstanding Kuwait Airways claims. He explained that the original Iraqi offer of USD 150 million, plus an intent to funnel Iraqi passengers to Kuwait Airways rather than Jordan or Dubai, was unacceptable to Kuwait Airways. Kuwait Airways had taken steps in court to enforce their claim, resulting in a Montreal court order to seize Bombardier aircraft, purchased for Iraqi Airways. This action, Jarallah noted, quickly brought the Iraqis to the table to say "please stop." The Iraqis originally insisted that the Kuwaitis stop the Canadian enforcement action before negotiating but agreed to talk, when the Kuwaitis responded that Kuwait Airways still had "two days" before they needed to act on the Canadian judgment.

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¶6. (SBU) Ambassador noted her understanding that the talks might have faltered due to Kuwait Airways desire to have an international bank handle the fund transfer rather than an Iraqi bank. Jarallah stayed positive on the agreement, but noted that the Kuwaitis wanted a bank guarantee from the Iraqis for the payment. (Note: There appears to be a slight disconnect between the GoK and Kuwait Airways about the status of the talks. The Legal Advisor for Kuwait Airways told Econoff that both sides had agreed to a proposed USD 500 million settlement, but that the Iraqis had balked when asked to sign minutes saying that the agreement would be accompanied by a payment guarantee issued by an international bank. The GoI had originally proposed an Iraqi bank guarantee. Ahmed Sadawi, the Iraqi Advisor for Civil Aviation apparently said that the GoI had no funding in the FY 08/09 budget to cover the payment; funding would need to come from a FY 09/10 budget. For that reason, Iraq would not be able to pay before March 2010. The Kuwait Airways Legal Advisor said that he suspected that the GOI wanted a signed agreement to present to the courts in Montreal to gain release of the aircraft. Putting the two sides' stories together, it may be that the GoI asked the GoK to accept its USD 500 million offer on good faith in order to obtain release of the Bombardiers aircraft, while awaiting the 2009 budget for actual payment. The Kuwaitis, businessmen first and foremost, demanded bank guarantees before taking any action. End Note.)

Iraq to Send Committee to Work on Resolving Kuwaiti Concerns

¶7. (C) Jarallah said that he had raised a number of other Kuwaiti concerns with the Minister of Finance. These included the Iraq-Kuwait border, demarcation of the sea border, the continued presence of Iraqi farmers on Kuwaiti soil, and the fact that the GoI continued to block trucks from Kuwait and other GCC states at the border. According to Jarallah, the Iraqi Finance Minister told him that a committee led by the Iraqi Minister of Foreign Affairs and including the Ministers of Defense, Oil, and Interior would

come to Kuwait to address all of these issues. Jarallah hoped that they would within the month and prior to the PM's visit to Iraq. With regard to the Iraqi farmers, Ambassador asked whether the MFA had followed up on discussions with the Iraqi side. When it became clear that Jarallah was unaware of any GoK follow-up, Ambassador again passed over information on an Iraqi MFA point of contact provided by Embassy Baghdad.

Counter-Terror Concerns

¶ 8. (S/NF) Ambassador and U/S Jarallah discussed the upcoming Prime Ministerial visit to Washington and New York. She noted that the USG wanted to acknowledge and honor the strong relationship, but added we would likely highlight our interest in improving our counter terror cooperation. She suggested that there was frustration on both sides that the liaison relationship was not more productive, and that we would need to look creatively at ways to improve it. She also noted Washington's interest in having Kuwaiti leadership speak out more forcefully against terrorist activities and work more closely with their neighbors to secure the borders. All of these actions, she stressed, were in both countries mutual interest. Jarallah said the Kuwaitis shared U.S. concerns about terrorism and were worried about the activities of people within their borders as well. He said the GoK was doing the best it could, though he acknowledged the need to do more. He welcomed closer cooperation, noting that the GoK was "ready to cooperate in any way."

The Prime Minister's Agenda

¶ 9. (C) Jarallah said that the Prime Minister would be raising issues of his own, and that it was important to have high-level frank discussions about mutual concerns. On a regional level, he noted, the PM would want to discuss Iraq, Iran, and the peace process. On a bilateral basis, he suggested the PM would be interested in the remaining Kuwaiti detainees, visas, and the possibility of an FTA, noting that Ambassador had advised against pushing for an FTA. Ambassador reiterated that there was no possibility of concluding an FTA at this time. Jarallah asked

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Ambassador whether the USG had an opportunity to react to the various agreements that MFA had provided. Ambassador clarified that the agreements on the table were: A chemical weapons challenge inspection agreement, a Critical Energy Infrastructure Protection MOU, and the Broadcasting Board of Governors agreement. Jarallah stated that the PM's advance team would be in Washington by the weekend and would be contacting the Department on Monday.

Action Request

¶ 10. (SBU) For NEA/ARP: Please advise as to status of the three agreements referenced by Jarallah.

¶ 11. (S/NF) For Baghdad: Please advise what actions can be taken to enhance security for the post-Ramadan visit of the PM to Baghdad.

JONES